

Message Text

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PAGE 01 DHAHRA 00310 070838Z
ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-01 INR-10 NSAE-00 XMB-04 OPIC-06
LAB-04 SIL-01 DODE-00 PM-05 H-02 L-03 PA-02 /108 W
-----002491 070957Z /21

R 070820Z MAR 78
FM AMCONSUL DHAHRAN
TO SECSTATE WASHDC 6074
INFO AMEMBASSY JIDDA
USLO RIYADH

UNCLAS DHAHRAN 0310

DEPT PASS TREASURY

E.O. 11652: N/A
TAGS: EFIN, SA
SUBJECT: SAUDI SENSITIVITY CONCERNING U.S. TAX LEGISLATION

1. A SENIOR ARAMCO OFFICIAL HAS INFORMED CONGEN OF TWO RECENT CASES IN WHICH SAUDI OFFICIALS DISPLAYED CONSIDERABLE SENSITIVITY ABOUT POSSIBLE ADDITIONAL COSTS INVOLVED IN MAJOR PURCHASES FROM THE U.S. AS RESULT OF SECTION 911 OF THE TAX REFORM ACT OF 1976.

2. ACCORDING TO THE ARAMCO OFFICIAL, THE MARKETING DIRECTOR OF THE SATELLITE COMMUNICATIONS DIVISION OF HARRIS CORPORATION, MELBOURNE, FLORIDA, WAS RECENTLY QUESTIONED AT LENGTH BY THE MINISTRY OF DEFENSE AND AVIATION (MODA) OFFICIAL RESPONSIBLE FOR ACCEPTING BIDS ON A LARGE TENDER CONCERNING THE PERCENTAGE OF INSTALLATION COST WHICH WAS "TAX CONNECTED". THE MARKETING DIRECTOR SAID THE SAUDI OFFICIAL CLEARLY UNDERSTOOD A GREAT DEAL ABOUT SECTION 911, WAS EXTREMELY CONCERNED ABOUT ITS POSSIBLE COST IMPACT
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ON SAUDI ARABIA, AND STATED FIRMLY THAT "WE DO NOT WANT TO PAY ANOTHER COUNTRY'S TAXES".

3. A DRAVO CORPORATION DELEGATE HAD A SIMILAR EXPERIENCE RECENTLY, ACCORDING TO THE ARAMCO OFFICIAL, WHEN THE DEPUTY MINISTER OF INDUSTRY AND ELECTRICITY QUESTIONED THE AMERICANS AT SOME LENGTH ON ANY ADDITIONAL COSTS TO

SAUDI ARABIA AS A RESULT OF SECTION 911. THE DRAVO REPRESENTATIVES ARE CONVINCED THAT THE SAUDI ARABIA OFFICIAL IS CAPABLE AND PRO-AMERICAN, BUT THAT HE IS NONETHELESS VERY CONCERNED ABOUT ADDITIONAL COSTS WHICH AMERICAN COMPANIES MAY HAVE ADDED ONTO THEIR BIDS TO COVER POTENTIAL TAX PAYMENTS IF/WHEN SECTION 911 BECOMES EFFECTIVE.

4. CONSUL GENERAL AND ECON/COMCL SECTION CHIEF WERE RECENTLY TOLD BY KHALED TURKI, MEMBER OF ROYAL COMMISSION FOR JUBAIL AND YENBU, THAT ONE OF MAJOR FACTORS ADVERSELY AFFECTING COMPETITIVENESS OF US FIRMS IN SAUDI ARABIA IS THE EXTRA AMOUNT BUILT INTO ANY BID TO PROTECT THE AMERICAN FIRM AGAINST POSSIBLE TAX LIABILITY UNDER SECTION 911.
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Message Attributes

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